Office of Regulatory Reform:

Findings of the 2014 Small Business Survey

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Rhode Island Office of Management and Budget

Department of Administration, One Capitol Hill, Providence, RI 02908

401-574-8430

www.omb.ri.gov

ABSTRACT

This report outlines the results of Governor Lincoln D. Chafee's 2014 Small Business Survey. Included are overall and industry-specific analysis, perspectives and comments from the small business community, and survey methodology.

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EXECUTIVE SUMMARY

This report outlines the results of Governor Lincoln D. Chafee's 2014 Small Business Survey, the second annual survey conducted by the Office of Regulatory Reform (ORR). As a component of ORR's ongoing work, the survey informs rulemakers, regulators, and reformers of issues faced by Rhode Island's small business owners.

The 2014 survey findings align with feedback from other fronts. The consistent message from small business is that government needs to appreciate the importance of small business success to Rhode Island's economy and quality of life. Government needs to "think as a small business owner" in weighing the consequences of taxes and regulations on the state as a whole. Most respondents see the need for standards, licensing, and other regulations, but feel they could and should be less expensive and time-consuming, easier to understand and monitor, less duplicative, and more effective in reaching goals. They see other states partnering with small business, and feel Rhode Island will not be an attractive place to invest and grow unless it does the same.

The 2014 Small Business Survey represents the perspectives of 376 small business leaders. While 2014 saw fewer respondents than the previous year, ORR attained greater response depth and completion rates through a redesigned survey. Note that the aim was not to achieve a statistically significant sample of Rhode Island's sizable small business community, but to provide a "snapshot" in time. Key findings:

- Forty percent of respondents consider Rhode Island's regulatory environment relatively poor. Sixty-six percent believe that there is too much regulation. Over half believe that the benefits of regulations do not outweigh the costs to comply.
- For the second consecutive year, health insurance costs rank as the top challenge. Regulations (state and federal), labor costs, and decreased consumer demand again fill out the top five.
- Over eighty percent say business taxes have moderate to major impact on their business. Over seventy percent say the same for employment regulations and health and safety regulations.
- Industry analysis reveals that identified impacts vary based upon sector characteristics and concerns. Impacts of regulatory or legislative changes would likely mirror these differences.
- As in 2013, Taxes & Fees make up the largest category of survey comments, with the state business tax as the single topic mentioned most often (30 separate commenters).

Readers should especially consider the "Specific Regulations Cited" (pages 26-27) list of regulations identified as particularly problematic. Many of these – as well as other identified concerns that exist in law but not in regulation – represent legislative challenges. Addressing tax rates, labor regulations, and other difficult issues will require cooperation among the state's leaders. The following "Next Steps" section outlines ORR's work towards improving Rhode Island's business climate.

Governor Lincoln D. Chafee and the Office of Regulatory Reform would like to thank all participants for their time and their candid perspectives. These in-depth insights are valuable to legislators and regulators alike. Further, they demonstrate what the small business sector would contribute to a shared conversation on balancing the need to regulate and protect health, safety, and the quality of life, with the understanding that a strong economy is a vital part of that quality of life.

NEXT STEPS

The annual Small Business Survey is a key tool in the Office of Regulatory Reform's multipronged efforts to attack regulatory issues identified by small businesses on a variety of fronts. Feedback from the 2013 survey helped ORR develop the thirteen recommendations in its Regulatory Look Back Review reports. ORR is heartened to see that 2014 input reflects last year's survey, and therefore continues to bolster ORR's overall work. ORR's efforts are concentrated in four areas:

- **Coordination of the systemic review of Rhode Island's regulatory landscape.** To date, agencies have identified over 100 potential interventions (amendments, repeals, or accommodations).[i] ORR has moved to facilitate reforms over the past year, including 10 repeals and the rejoining of problematic multi-part regulations. It will soon shift from this systemic review to a prioritized examination of agencies and regulations found to have the highest small business impact. In this phase, it will work with agencies both to help implement agency-identified potential reforms, and to examine business-identified regulatory concerns (such as those in the "Specific Regulations Cited" lists). It will also roll out tools to help agencies apply ORR's recommendations (enhanced impact statement, regulatory guidance manual, and regulatory grading rubric).

- **Ongoing, on-demand services provided by ORR's Small Business Ombudsman (SBO).** The SBO assists businesses with regulatory issues in real time. In addition to helping those "stuck in the system," the SBO identifies trends for ORR to examine further. For example, after receiving several comments on the Department of Labor and Training's (DLT) new Biweekly Pay Form, the office worked with DLT to develop a more streamlined, customer-friendly form.

- **Statewide e-permitting initiative**. The office seeks to streamline permitting at the state and municipal levels. ORR has received numerous comments from business regarding their struggles in contending with the number of local governments, as well as their differing ordinances. ORR's lead role in a new e-permitting system, which is anticipated to have a beta rollout to two municipalities later this year, aims to improve local responsiveness to business needs.

- **Promotion of activities supporting ORR's recommendations and goals.** This includes providing a voice to small business owners through annual surveys, supporting current "Lean" initiatives that streamline government, assisting municipalities as they review their own systems, and collaborating with the Office of Performance Management on regulatory performance.

Via these mechanisms, ORR will continue its work toward clear, predictable, and reliable regulatory and permitting systems by resolving inefficiencies, inconsistencies, and misalignments that needlessly delay or halt small business opportunities.

ORR continues to work with agencies to implement its recommendations and promote reform, including encouraging small business and legislator participation in the rulemaking process. As noted throughout this report and as confirmed in all of ORR's work, many concerns cannot be addressed without significant legislative support and action.

INTRODUCTION

The Office of Regulatory Reform (ORR) seeks to continually promote the voice of small businesses in Rhode Island's ongoing reform efforts. ORR interacts directly with many businesses, and draws upon their perspectives in its overall work. Annual online surveying is a powerful tool to systemically capture current concerns of the state's small business community.

This small business feedback, collected in February 2014, complements and enhances the current regulatory reform initiative set into motion by the Rhode Island General Assembly and accelerated by Governor Lincoln D. Chafee. The goal of this initiative is to develop a clear, predictable, and reliable regulatory system in order to enhance Rhode Island's economic environment.

As stated in each ORR report[i], small businesses play a vital role in the quality of life of Rhode Islanders. They are the engines of growth, development, and economic prosperity, representing over 95 percent of Rhode Island employers and employing about half of the private-sector labor force. Yet, due to their size, they are often disproportionately impacted by the costs of regulatory compliance.

For this reason, it is critically important that regulations are reviewed with small business concerns in mind. Both Governor Chafee and members of the General Assembly have called for bold solutions that address small business concerns, while simultaneously protecting the health and safety of Rhode Islanders. This report presents a picture of small business perspectives to inform rulemakers, regulators, and reformers on areas where additional intervention may be needed.

2014 Respondents

Three hundred and seventy-six (376) small business leaders responded to the 2014 survey. Several factors support the 2014 survey results as a good snapshot, even though last year's pool was larger (709 respondents). First, ORR redesigned its survey to increase completion rates beyond the 2013 rate of 58.3 percent. The 2014 survey resulted in more substantial and wider-ranging input, as well as a 76.4 percent completion rate and a 27.3 percent rise in respondents providing comments. Second, this pool is comparable to similar surveys recently conducted in other states (Utah received 323 respondents; Tennessee "more than 150"). Finally, there was substantial consistency between 2013 and 2014 responses, confirming the findings from the first survey.

Industry representation, discussed in detail in the following section, also improved in 2014. Results for number of respondents within industry groups were more proportional to actual industry size versus last year. Though more proportional, this survey does not aim to be a statistically significant representation of Rhode Island small business community. Obtaining such a sample would be a much larger – and possibly cost-prohibitive – undertaking. However, ORR is encouraged by both the consistency between 2013 and 2014, as well as between the surveys and what ORR hears directly from businesses in the field. The following sections include a question-by-question survey analysis. Comparisons are made between 2013 and 2014 data wherever possible.

QUESTION 1: RESPONDENT INDUSTRIES

"What primary industry is your small business in?"

The Rhode Island businesses managed by respondents represent the entire range of sectors reflected in the North American Industry Classification System (NAICS; see Appendix C for NAICS sector detail). For its review, ORR divided respondents into the federal NAICS classifications (see Figure 1).

Figure 1: Industries Participating in the Small Business Survey

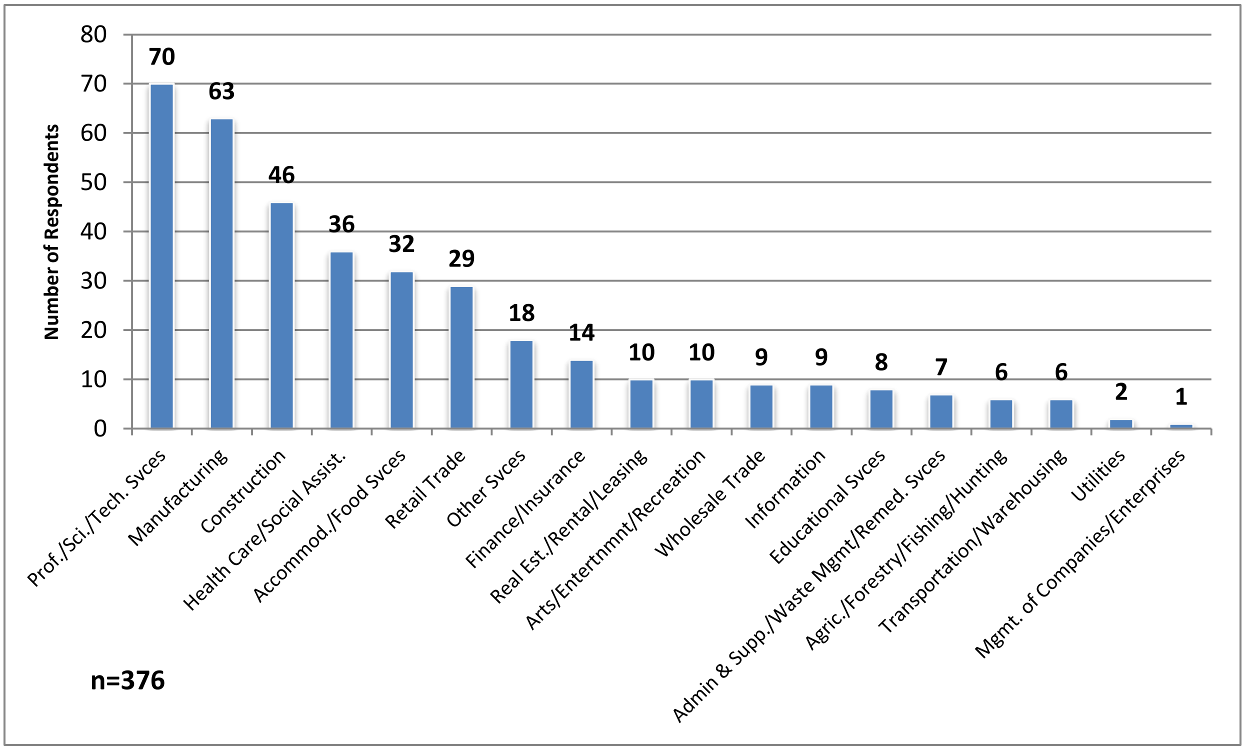


Figure 1 is a fairly reflective subset of Rhode Island's small business employers (based on 2010 U.S. census data), even though it may appear that some industries are better represented than others. Construction, for example, may appear to be overrepresented compared to Arts, Entertainment, & Recreation; however, the Construction industry is the far larger sector. In last year's survey, compared to the actual small business breakdown, three industries were overrepresented (Construction; to a lesser degree, Manufacturing and Agriculture). Three others were underrepresented (Other Services, Accommodations & Food Services, and Retail Trade).

In 2014, Construction is now proportional, and Accommodation & Food Services is much closer to its 2010 actual business share. Other Services and Trade remain underrepresented, and Manufacturing and Agriculture overrepresented. However, a number of other sectors are now closer to their actual share of Rhode Island small businesses, including Health Care & Social Assistance, Real Estate & Rental and Leasing, and Transportation & Warehousing.

Sector Groupings

In 2013, ORR grouped industries into eleven related sectors, in order to facilitate analysis for smaller respondent groups. For comparison, ORR maintained these classifications as much as possible for 2014, with two main exceptions due to sample size: Retail Trade and Wholesale Trade have been combined into a sector called "Trade," and the "Other" category includes last year's Agriculture & Natural Resource Extraction and Administration/Support & Waste Management/Remediation categories. Finally, ORR shortened the title of last year's "Professional, Scientific, Technical, and Information Services" sector to simply "Professional Services."

Below are the eight 2014 sector groupings (referred to as "sectors" for the remainder of this report), with respondent figures.

Table 1: Industry Sector Groupings

Sector	# Respondents	% Respondents
Professional Services	80	21.2%
Manufacturing	63	16.8%
Construction & Utilities	48	12.8%
Hospitality	42	11.2%
Trade	38	10.1%
Health Care & Social Assistance	36	9.6%
Finance & Insurance	14	3.7%
Other	55	14.6%
TOTAL	**376**	**100.0%**

As noted at the outset, the number of survey respondents does not represent a statistically significant sample of Rhode Island small businesses, particularly in some of the above sectors. Note, for instance, that Finance & Insurance is the smallest stand-alone sector with 14 respondents.

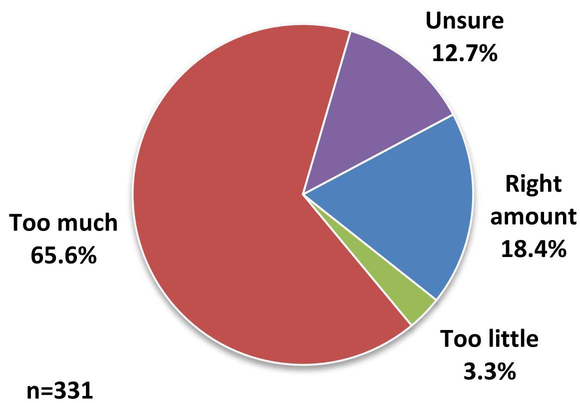
The "Other" sector in the table above includes both the original NAICS "Other Services" category, and a miscellaneous grouping of other industries. These additional industries lacked enough representation to stand alone, and did not easily collapse into another well-represented sector. The following represents the NAICS industries ORR includes in its "Other" sector:

- Other Services (NAICS examples: automotive repair, salons, laundry, funeral homes)
- Administrative & Support and Waste Management & Remediation
- Agriculture, Forestry, Fishing & Hunting
- Educational Services
- Real Estate & Rental and Leasing
- Transportation & Warehousing

QUESTION 2: REGULATORY VOLUME

"Considering Rhode Island regulations that affect your small business, would you say there is the right amount of regulation, too little, or too much regulation?"

Figure 2: Small Business Opinions Regarding Regulatory Volume



A majority of respondents (217 or 65.6 percent) stated that their small businesses are affected by too much regulation (Figure 2). This matches the 2013 findings of 63.4 percent (366 of 530) of respondents saying the same. Remaining answers (e.g. right amount, too little) were also comparable to 2013 results.

It is important to note that it can be difficult to distinguish among federal, state, and local rules, as well as between regulations and law. For example, a number of respondents commented on local ordinances, including municipal taxes. Others noted concerns that are only situated in law, meaning that no change is possible without legislative action. Many comments, however, specifically identified Rhode Island's state regulatory environment. See "Analysis of Comments" for detailed responses.

Sector Analysis

The four sectors with the highest percentage responding that there is "too much regulation" affecting their small businesses were the same four as in 2013 and 2014, but with minor shifts (see Table 2).

Table 2: Rank of Sectors Stating "Too Much Regulation"

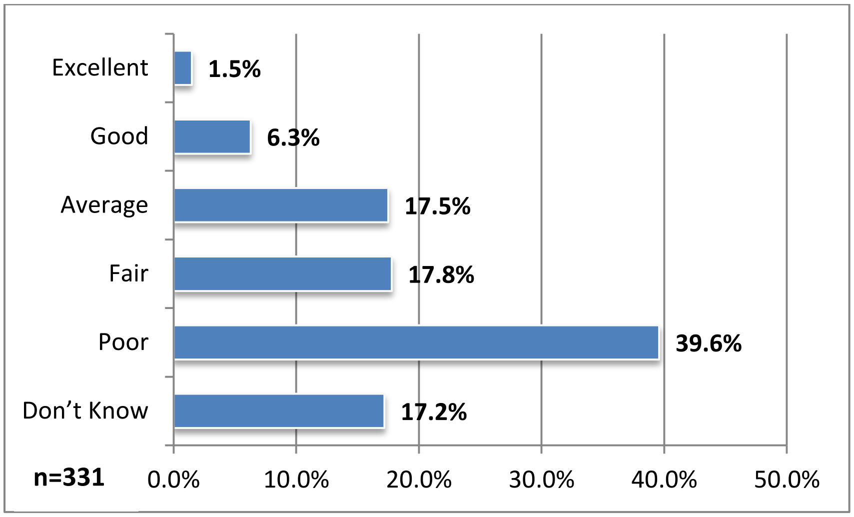
Sector	"Too Much Regulation" Rank		
	2014	2013	Difference
Health Care & Social Assistance	1	3	+2
Manufacturing	2	4	+2
Construction & Utilities	3	1	-2
Trade	4	2	-2
Finance & Insurance	5	8	+3
Hospitality	6	7	+1
Other	7	5	-2
Professional Services	8	6	-2

Some shifts among sectors from year to year are to be expected, especially given sample sizes. The item to take away is that the same four sectors continue to lead this list: Health Care & Social Assistance, Manufacturing, Construction & Utilities, and Trade.

QUESTION 3: COMPARISON TO OTHER STATES

"In comparison to other states, how would you rate Rhode Island's regulatory environment as it pertains to your small business?"

Figure 3: Rating of Rhode Island's Regulatory Environment as Compared to Other States



New to the 2014 survey, ORR asked respondents to rate Rhode Island's regulatory environment in relation to other states. One hundred thirty-one (131 or 39.6 percent) respondents graded Rhode Island's regulatory environment as "poor." One hundred seventeen (117 or 35.3 percent) rated the state as "average" or "fair." Finally, 26 (7.9 percent; varies from chart due to subgroup rounding) rated Rhode Island's regulatory environment as "good" or "excellent" (Figure 3).

Sector Analysis

For its sector analysis, ORR assigned a numeric value of 5 for each "Excellent" response, 4 for "Good," and so forth to arrive at a weighted average. Overall, respondents gave Rhode Island an average of 1.9 on this 5-point scale, where 2 = "Fair." The following table presents an average rating by sector.

Table 3: Sector Averages and Ranges Concerning Rhode Island's Comparative Business Environment

Sector	Average rating	Ratings Range
Manufacturing	1.5 – Fair	Poor to Average
Hospitality	1.8 – Fair	Poor to Good
Construction & Utilities	1.9 – Fair	Poor to Excellent
Finance & Insurance	1.9 – Fair	Poor to Average
Health Care & Social Assistance	2.1 – Fair	Poor to Good
Trade	2.1 – Fair	Poor to Excellent
Other	2.1 – Fair	Poor to Excellent
Professional Services	2.2 – Fair	Poor to Good

QUESTION 4: TOP CHALLENGES

“Please rank the most important challenges facing your small business today.”

Survey respondents were asked to rank 11 options, in order from most challenging (#1) to least challenging (#11) to their business. The following table presents a comparison of those ranks from the 2013 survey to the 2014 survey and reflects the input from 298 respondents. Please note that “Utility Costs” were added to the options in 2014.

Table 4: Top Challenges Identified by All Small Business Survey Respondents

CHALLENGE AREA	2014 RANKING	2013 RANKING	2014		
			Average Ranking	% Ranking Item as #1	% Ranking Item as #11
Health Insurance Costs	**1**	**1**	3.51	24.2%	1.3%
Labor Costs	**2**	**4**	4.90	11.4%	0.7%
State Regulations	**3**	**2**	5.00	15.2%	1.7%
Federal Regulations	**4**	**3**	5.39	5.1%	6.1%
Decreased Consumer Demand	**5**	**5**	5.88	13.1%	16.2%
Local Ordinances	**6**	**9**	6.25	5.4%	3.7%
Increased Competition / Globalization	**7**	**7**	6.34	8.4%	8.4%
Availability of Credit	**8**	**6**	6.49	8.8%	15.8%
Utility Costs	**9**	**-**	6.83	3.4%	21.2%
Personnel Management	**10**	**8**	7.17	2.7%	8.1%
Technology Changes	**11**	**10**	8.25	2.4%	16.8%

For the second consecutive year, survey respondents have identified Health Insurance Costs as the most challenging issue faced by their small business. State and Federal Regulations, Labor Costs, and Decreased Consumer Demand remained in the top five challenges, with Labor Costs moving up two spots to #2. The newly added challenge of Utility Costs ranked low on survey respondent concerns at 9th place. As previously discussed, sample size may account for some variation of the data from year to year. Again, the element to take away from this is that some challenges (e.g. health insurance costs, labor costs, regulations) are consistently high on this list while others (e.g. personnel management, technology changes) have consistently been rated low.

Sector Analysis

Table 5 identifies the top three and bottom three challenges for each sector, and highlights in bold those challenges where the sector differed from the top three rankings of all respondents combined.

Table 5: Top and Bottom Three Challenges by Small Business Sector*

Sector	Top Three Challenges	Bottom Three Challenges
Professional Services	• Health insurance costs • Labor costs • **Decreased consumer demand**	• **Local ordinances** • Technological changes • Utility costs
Manufacturing	• Health insurance costs • Labor costs • **Increased competition/globalization**	• **Local ordinances** • **Available credit** • Technological changes
Construction & Utilities	• Health insurance costs • State regulations • Labor costs	• Personnel management • Utility costs • Technological changes
Hospitality	• Labor costs • Health insurance costs • **Local ordinances**	• **Increased competition/globalization** • Personnel management • Technological changes
Health Care & Social Assistance	• Health insurance costs • State regulations • Labor costs	• Technological changes • **Increased competition/globalization** • **Decreased consumer demand**
Trade	• Health insurance costs • **Decreased consumer demand** • Labor costs	• **State regulations** • Personnel management • Technological changes
Other	• Health insurance costs • State regulations • **Federal regulations**	• Personnel management • **Increased competition/globalization** • Technological changes
Finance & Insurance	• Health insurance costs • **Increased competition/globalization** • State regulations	• **Available credit** • Technological changes • Utility costs

*Challenges in bold represent areas where sector differed from combined ranking of all respondents.

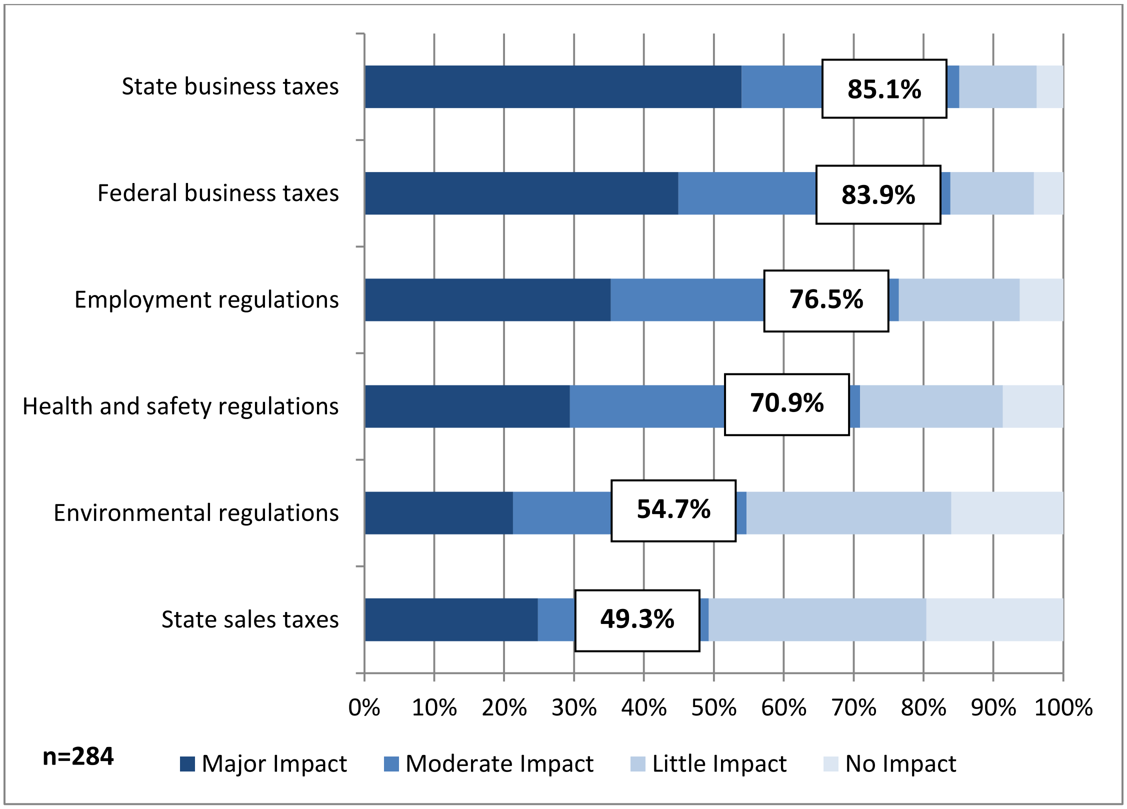
The data in this table illustrate particular challenges faced by each sector, many of which logically lead from the nature of each sector. For example, the Manufacturing and Finance & Insurance sectors were more concerned with increased competition and globalization, while the Trade and Professional Services sectors ranked decrease in consumer demand higher. On the other end, Health Care & Social Assistance and Hospitality were less worried about increased competition and globalization. Likewise, Finance & Insurance was less concerned about the availability of credit. These patterns demonstrate that economic interventions (e.g. creating or amending laws or regulations) may have varying levels of impact on different sectors.

ORR is particularly interested in small business opinions regarding regulation. Last year, ORR noted that sectors were almost evenly split as to if state or federal regulations posed the greater challenge (5 sectors found greater challenge in state regulation; 6 in federal regulation). This year, 6 sectors found state regulation to be the greater challenge, while only 2 said federal. Additionally in 2013, ORR noted that Local Ordinances were ranked low at 9th most challenging. This year, Local Ordinances moved up to 6th most challenging. It can be difficult for business to neatly distinguish between local, state, and federal rules; however, it seems clear that state regulations are viewed by most industries to be a primary business challenge.

QUESTION 5: REGULATORY IMPACTS

"How much impact does each of the following areas of regulation have on your small business?

Figure 4: Regulatory Areas Ranked by Impact



New this year, ORR asked respondents how much different types of regulations impacted their businesses. Both state and federal business taxes were identified by over 80 percent of small business owners as having a moderate to major impact on their businesses. Regulations surrounding employment and health and safety formed a second group, with over 70 percent of these respondents stating that they have a moderate to major impact. Finally, about half of these respondents stated that environmental regulations and state sales taxes have a moderate to major impact on their businesses (Figure 4).

Sector Analysis

The following table presents the top three areas of regulatory impact identified by each small business sector. As in the previous section, there is logic to the areas identified by survey respondents. For example, the Health Care & Social Assistance sector places health and safety regulations at the top of their list. Sectors that contend regularly with health and safety issues (e.g. Construction & Utilities, Manufacturing) also place this item high on their list. Likewise, sectors more involved with the sale of products (e.g. Trade) tend to have a greater concern regarding the impact of taxation than those less involved in sales.

Table 6: Top Three Areas of Regulatory Impact by Small Business Sector*

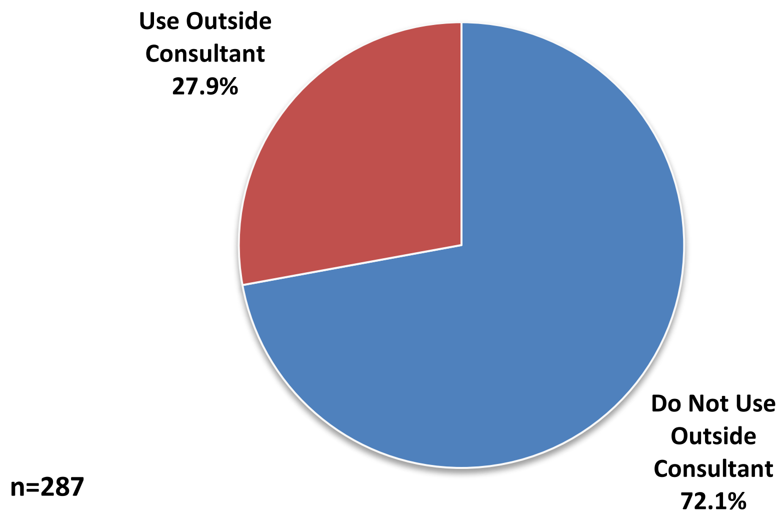
Sector (ordered by number of 2014 survey respondents)	Areas of Highest Impact
Professional Services	1. Federal business tax 2. State business tax 3. Employment regulations
Manufacturing	1. Federal business tax 2. State business tax 3. **Health and safety regulations**
Other	1. State business tax 2. Federal business tax 3. Employment regulations
Construction & Utilities	1. State business tax 2. Federal business tax 3. **Health and safety regulations**
Hospitality	1. Employment regulations 2. State business tax 3. Federal business tax
Trade	1. State business tax 2. **State sales tax** 3. Federal business tax
Health Care & Social Assistance	1. **Health and safety regulations** 2. Employment regulations 3. State business tax
Finance & Insurance	1. State business tax 2. Federal business tax 3. Employment regulations

*Regulations in bold represent areas where sector differed from combined ranking of all respondents.

QUESTION 6: USE OF CONSULTANTS

"Does your small business hire outside consultants to comply with Rhode Island state regulatory requirements?

Figure 5: Percentage of Businesses that Use Outside Consultants to Comply with Regulatory Requirements



ORR is particularly concerned about businesses that hire external consultants in order to understand what they need to do to comply with regulatory requirements. This can represent an additional cost that could have been avoided with a clear, predictable and reliable regulatory system. In 2013, 37.4 percent reported that they had to use an outside consultant in order to comply. In 2014, 27.9 percent report the use of an outside consultant (Figure 5). While neither year represented the majority of respondents, ORR believes that an affirmative response from nearly one-third of respondents is still much higher than what should be expected from an effective regulatory system.

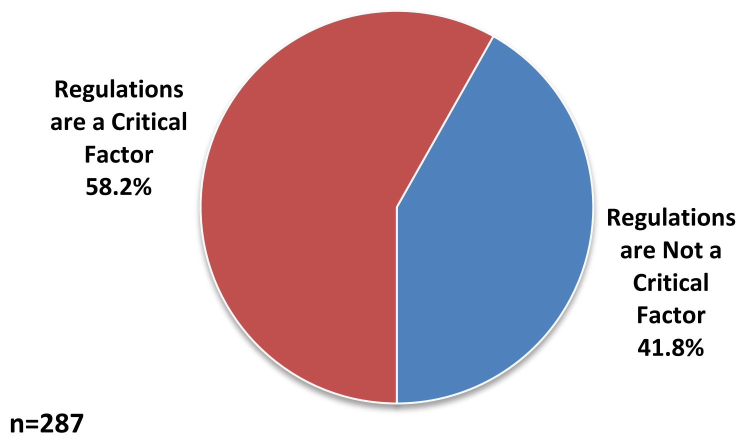
Sector Analysis

The top three sectors in 2014 that reported the need to use consultants were Manufacturing, Health Care & Social Assistance, and Hospitality. In 2013, Construction & Utilities replaced Hospitality in the top three ranking. Note that Construction & Utilities had the largest change in consultant use from 2013 to 2014, as it was in the top three in 2013 and dropped down almost 20 percent to last in 2014.

QUESTION 7: REGULATORY IMPACT ON GROWTH

"Have Rhode Island regulations ever been a critical factor in your decision to grow and invest in your small business?"

Figure 6: Percentage stating that Regulations are a Critical Factor in Growth and Investment



Fifty-eight percent of all respondents expressed that state regulations have influenced their decision to grow and invest in their small business. Last year, 45.3 percent of survey respondents stated the same (Figure 6). Between both years, one can see that about half of survey respondents felt that they needed to balance their desire to spend money on business expansion with their concerns about the state's regulatory environment.

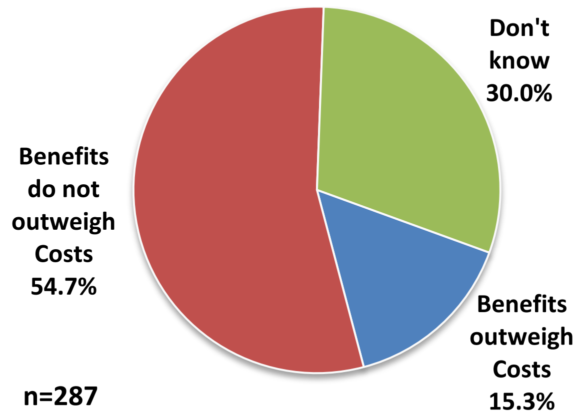
Sector Analysis

The overall increase from 2013 to 2014 (45.3 to 58.2 percent) is reflected in almost all sectors: seven of the eight sectors increased, and Health Care & Social Assistance decreased just 3 percentage points. Other than this across-the-board increase, however, the sector analysis for this question demonstrated little to no correlation between 2013 and 2014 data. It is possible that the fluctuation in these responses is related to the real-time effects of where various respondents may be in the process of growing and investing in their businesses.

QUESTION 8: REGULATORY BENEFITS AND COSTS

"Would you say that the benefits of regulation outweigh the costs to comply?"

Figure 7: Respondent Opinion on the Benefits and Costs of Regulation



As a new question in 2014, ORR asked survey respondents their opinion of the benefits and costs of regulation. Just over half of all respondents felt that the benefits of regulation do not outweigh the associated costs. Fifteen percent stated that the benefits outweigh the imposed costs, while thirty percent stated that they simply did not know (Figure 7).

Sector Analysis

By sector, those stating that the benefits outweigh costs of regulation ranged from 8.5 percent to 23.1 percent. On the other side, those stating that the benefits did not outweigh the costs of regulation ranged from 50.0 percent to 61.7 percent (Table 7). ORR found a strong relationship between sectors that responded negatively to this question with those that did so for previous questions (e.g. the state's regulatory environment is poor, there is too much regulation). Interestingly, the Health Care & Social Assistance sector, who have demonstrated a comparatively more negative opinion of Rhode Island's business environment both this year and last, also had one of the higher percentages of respondents that believed that the benefits of regulation outweighed the costs.

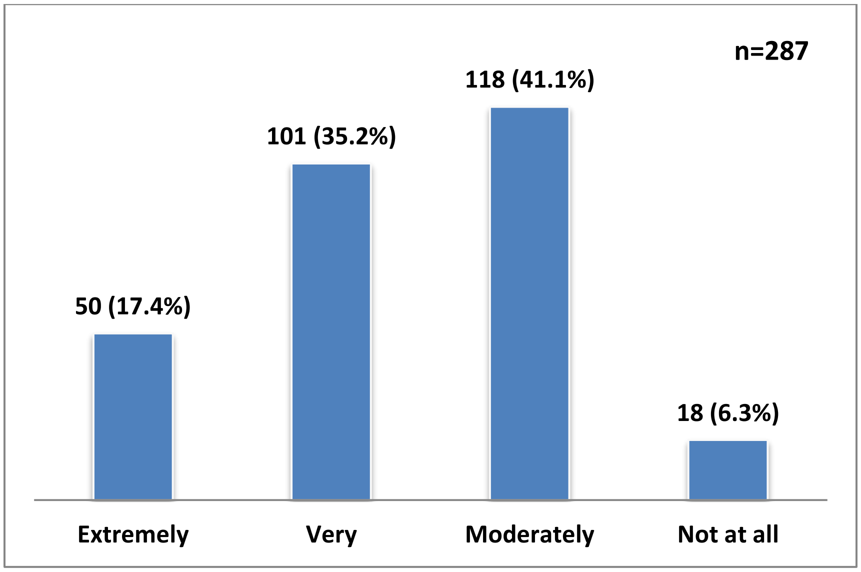
Table 7: Respondent Opinion on the Benefits and Cost of Regulation by Sector

Sector	% Stating Benefits Outweigh Costs	% Stating Benefits Do Not Outweigh Costs	% Stating "Don't Know"
Manufacturing	8.5%	61.7%	29.8%
Hospitality	11.1%	50.0%	38.9%
Construction & Utilities	12.2%	56.1%	31.7%
Trade	15.4%	50.0%	34.6%
Professional Services	16.1%	51.6%	32.3%
Finance & Insurance	22.2%	55.6%	22.2%
Health Care & Social Assistance	22.2%	59.3%	18.5%
Other	23.1%	53.8%	23.1%

QUESTION 9: FAMILIARITY WITH REGULATION

"How familiar are you with Rhode Island state regulations that affect your small business?"

Figure 8: Respondent Familiarity with Regulation



New to 2014, ORR asked a question to gauge respondent familiarity with the regulations that they were commenting upon. Over half (52.6 percent) stated that they were "extremely" or "very" familiar with the regulations affecting their small business, while another 41.1 percent stated that they were "moderately" familiar (Figure 8).

Sector Analysis

The Health Care & Social Assistance, Trade, and Hospitality sectors were the top three sectors where the greatest percentage of participants stated that they were "very" to "extremely" familiar with regulations (Table 8). In an analysis of familiarity with regulation to the previously expressed opinions on regulation, ORR found no strong correlation between how familiar a particular sector was with their regulations and any other responses in the survey, with the exception of Question 10 (next section).

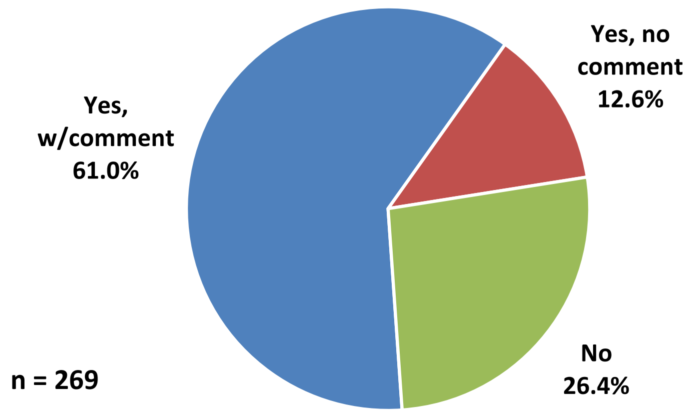
Table 8: Familiarity with Regulation by Sector

Sector	% "Extremely" or "Very" Familiar with Regulations
Health Care & Social Assistance	67%
Trade	65%
Hospitality	64%
Other	54%
Construction & Utilities	49%
Manufacturing	47%
Finance & Insurance	44%
Professional Services	42%

QUESTION 10: REGULATORY CHANGES NEEDED

"Are there any Rhode Island regulations that you believe need to be changed?"

Figure 9: Regulations Identified for Change



The Yes/No portion of Question 10 shows that almost three-quarters believe some regulations should be changed. The next section analyzes the many respondents who see regulatory change as critical to the success of their company, and in many cases the success of Rhode Island itself. However, 71 respondents, or 26.4 percent of 269, said "No" (this total includes only those actively choosing "No").

A closer examination reveals that responses for Question 10 (should regulations change) are very strongly correlated to Question 9 (how familiar are you with regulations). The more familiar respondents were with relevant regulations, the more likely they were to feel that regulatory change was needed.

Table 9: Comparison of Questions 9 and 10

Question 9 Responses: Self-Identified Level of Familiarity with Regulations Impacting Their Business	Question 10 Yes/No: % Responding "Yes," Regulatory Change is Needed
Extremely Familiar	94% (47 of 50)
Very Familiar	82% (74 of 90)
Moderately Familiar	62% (71 of 115)
Not At All Familiar	38% (6 of 16)

Sector Analysis

Sector analysis of this question generally followed the above trend, with a strong correlation between these two responses. Sectors that collectively said they were more familiar with relevant regulations were more likely to reply "yes" regulations need to change, and vice versa. Of the sector most familiar with regulations, Health Care & Social Assistance, 87.5 percent said regulations should change (the highest response for Question 10). Of Professional Services, the least familiar, 66.7 percent said "yes" (only Finance & Insurance had fewer who felt regulations need to change).

ANALYSIS OF COMMENTS (QUESTIONS 10-11)

Q10: "Are there any Rhode Island regulations that you believe need to be changed? ***Please describe****."*
Q11: "Do you have ***additional comments*** *regarding Rhode Island's small business regulatory climate?"*

Responses to these two open-ended questions provide valuable commentary on small business leaders' sense of the most critical issues concerning Rhode Island's business and regulatory climate. Both questions received a similar range of answers, with naturally more comments about specific regulatory concerns from Question 10, and more general comments from Question 11. ORR thus analyzed a combined pool of all responses, presented in the following sections.

- Analytical Overview
- Broad Analysis of Topic Categories
- List of Specific Regulations Cited
- Industry Profiles and Representative Comments

Analytical Overview

Overall, 179 unique respondents provided a total of 280 responses for Question #10, #11, or both. Many individual responses contained multiple comments on different subjects, which totaled 601 different comments (356 in response to #10, and 245 to #11).[1] Three particular topics generated the most comments. Two were general concerns, with 31 commenters feeling that Rhode Island has a poor business climate, and 24 stating that the overall tax burden is too high. The single specific topic prompting the most comments (30, or 5.0 percent of all 598 comments) was Rhode Island's corporate tax, particularly the annual minimum of $500 regardless of company size.

ORR presents both specific and broad trends in these comments. As in 2013, ORR includes a "Specific Regulations List" of those that multiple respondents say impact their business. However, due in part to a more open comment format, a section on "Broad Analysis of Topic Categories" is also presented this year, to capture all viewpoints.

This change in format was to encourage survey completion. Many 2013 respondents ended the survey midway, when asked to look up and provide the title and specific state identification number of problematic regulations; their input on later multiple-choice questions was lost. In 2014, ORR allowed more general descriptions of concerns, added an "any other comment?" question, and placed both at the end of the survey. The result was more substantial input, both because completion rates rose from 58.3 to 76.4 percent, and because of the much wider range of useful feedback within the comments.

[1] Note that "response" means the entire answer provided for one of these two questions. "Comment" refers to individual topics covered in the same responses (i.e. a response saying "Sales tax, fire code, permitting" would be 3 comments in one response). Note also that if the same respondent commented twice on the same subject in both Question 10 and 11, it was only counted once. For this reason, twenty-seven responses to the second open-ended question were not included in the figure of 601 total comments.

One necessary by-product of this change was that some comments could not be definitively identified within a particular regulation. With some comments, this was because they mentioned broad subjects with no further description (“permitting,” “health regulations,” or “high taxes”).

Other comments that were more specific were researched and connected to legislation, but not to state regulation. In some cases, this was because while related regulations addressed aspects of the topic (for example, administrative processes or particular situations), the express subject of the concern – in many cases, financial costs or rates – is located in legislation only. For example, “fuel tax” was mentioned; there are 8 regulations about the “Motor Fuel Tax,” but all concern special situations such as marine fuel, biodiesel, or application to nonresidents. While Rhode Island General Law § 31-36 et. seq. outlines the laws surrounding this tax, there is no core “fuel tax” regulation covering the commenters’ concerns.

In other cases, comments touched on subjects that are handled only, or frequently, at the local level (such as municipal taxes or permitting). While these may or may not be related state law, there is no core state regulation that addressed the subject of the survey comments.

To incorporate those comments that did not align with specific state regulations, ORR added a new level of broad analysis, which breaks all 601 comments down into seven categories (defined and described in the following section). Four categories concern regulations (taxes and fees, employment, other regulations, and general comments). Three address the state and its government (general concerns, government management, and government support of small business).

The challenges of researching, analyzing, and presenting these concerns serve to highlight the complex interactions between legislation and regulation. While ORR and regulatory entities will work together to identify and implement potential accommodations or efficiencies, lawmakers will need to decide what legislative action may be needed to fully address some of the core concerns revealed in the 2014 Small Business Survey.

Broad Analysis of Topic Categories

The following descriptions summarize each category, and list subtopics within these seven larger groups. The first four categories address concerns about regulation, as a whole or specifically.

- **Regulations/Taxes & Fees: 115 comments, or 19.1 percent of 601** (too high, too confusing; specific taxes e.g. corporate tax, sales tax, meal and beverage tax, municipal, and other taxes)
- **Regulations/Employment: 84 comments, or 14.0 percent of 601** (all mentions of unemployment, licensing, temporary disability insurance, minimum wage, health insurance costs, biweekly pay, workers' compensation, apprenticeship, prevailing wage, and similar)
- **Regulations/All Others: 74 comments, or 12.3 percent of 601** (health/safety, environment, permitting, fire code, child care, and any others)
- **Regulations/General Comments: 65 comments, or 10.8 percent of 601** (too much, too costly, too confusing, do not achieve stated goals; compliance should be easier; high standards are too costly; enforcement is too tight/too loose)

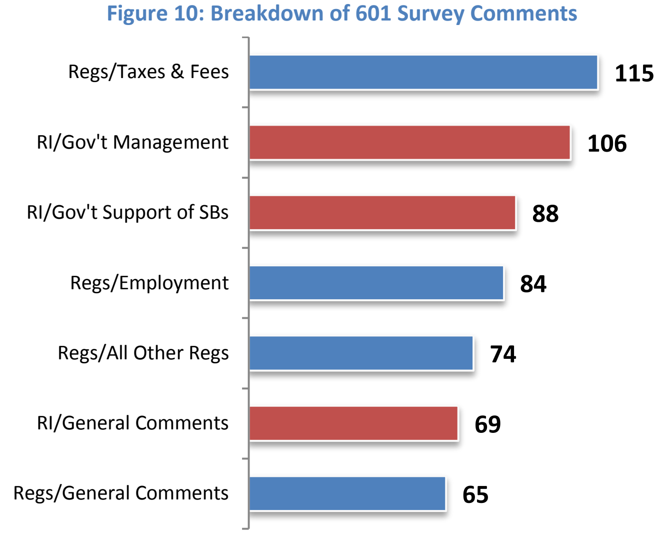
These three categories cover issues about Rhode Island and its government.

- **Rhode Island/General Concerns: 69 comments, or 11.5 percent of 601** (business climate; state is not competitive, especially compared to bordering or other states; cost, quality, and potential abuse of systems such as unemployment and public assistance programs)
- **Rhode Island/Government Management: 106 comments, or 17.6 percent of 601** (general management, suggestions on agency structure, state worker performance, unions, specific agency systems or service, number of and inconsistency among RI's 39 municipalities)
- **Rhode Island/Government Support of Small Business: 88 comments, or 14.6 percent of 601** (general lack of support, no accommodation for small business, costs too much to be in business, regulations impede growth, state depends on businesses for revenue, state should help small businesses start and expand)

Figure 9 breaks down all 601 comments into these seven categories. Just over half of all comments (56.2 percent, or 338 of 601) fell into the four Regulations categories, shaded in blue. The remaining 263 comments addressed concerns with Rhode Island or its government, shaded in red.

An underlying theme captured in "Management of Government," but touched upon in many other categories, was the inefficiency of working with 39 different municipalities in a state so small.

Figure 10: Breakdown of 601 Survey Comments



BROAD ANALYSIS: Regulations/Taxes & Fees: 115 comments (19.1 percent of 601)

As in 2013, comments on taxes and fees made up the largest category.

- About two-thirds of these 115 comments (76, or 66.1 percent) were on specific taxes, with the $500-minimum corporate tax by far the most common complaint. Many of these 30 comments simply stated “Corporate tax rate” or “Business tax” without further input. Six commented on this tax’s impact on small business, with three specifically noting the perceived “flat” nature of the tax and/or suggesting small business accommodation.
- Comments on sales tax totaled 19. While most simply said “sales tax,” specific issues mentioned were tax on pet services; tax on clothing over $250; tax on beer, wine, and liquor; and reporting requirements for retailers, wholesalers, and distributors.
- Various municipal taxes (property, vehicle, equipment/inventory) were mentioned a total of 15 times. Others mentioned more than once were meal and beverage tax and estate tax.

Comments reflected the various ways that taxes (particularly sales taxes) impact businesses.

- Some are paid by businesses themselves (e.g. corporate tax, unemployment tax, sales tax).
- Some must be charged by the businesses, which they link to their competitiveness (e.g. sales tax, meal and beverage tax).
- Some contribute to a heavy overall tax burden in Rhode Island, making it hard to attract and keep employers and talent in the state (e.g. property tax, income tax, inheritance tax).

One trend of note in this section is the Hospitality sector’s strong concerns about taxes.

- Hospitality represents only 11.2 percent of all survey respondents, but account for 18.3 percent of all comments regarding taxation (21 of 115 comments).
- Hospitality’s largest concerns were about taxes (26.5 percent of the 98 Hospitality comments).
- The most common tax comments by Hospitality respondents dealt with the sales and the meal and beverage taxes, and how they feel these taxes inhibit tourism and diminish their sales base.

The 14 comments on fees were also included in this category if mentioned generally. Comments on fees for specific regulations, or for licensing and permitting, were categorized in those groups instead.

BROAD ANALYSIS: Rhode Island/Government Management: 106 comments (17.6 percent of 601)

These address problems or concerns that business leaders have about how the state is organized and managed, and break into rough thirds.

- 38 comments on overall government (33.0 percent): included concerns about leadership, management, and government structure, but generally centered on two major themes:
    - 12 comments focused on the performance of public employees, most often citing poor responsiveness and service. Some focused on state workers; others were more general or specifically noted both state and municipal employees.
    - 11 discussed unequal influence in or access to state government, particularly in the perceived influence of various labor unions.
- 37 comments on specific agencies (32.2 percent):
    - 20 mentioned state purchasing/procurement, bidding, or contracts, which involves many regulatory entities:
        - Department of Administration's Division of Purchases,
        - Agencies who work closely with DOA to request bids and award contracts, and
        - Quasi-public entities, most of which have their own purchasing regulations.
    - Two comments referenced DOA/Purchasing; the rest spoke in generalities.
    - Six of these 20 want priority for Rhode Island companies in the bidding process.
    - Other agencies discussed included DEM, DLT (particularly unemployment), Taxation (particularly processes for paying back taxes), and DOH.
    - Most of these expressed concerns, particularly about customer service. However, DEM and Taxation were praised for recent improvements in at least one comment each.
- 31 comments on municipalities, or state/municipality structure and interaction (27.0 percent):
    - 17 of these expressed deep frustration with the challenges of working with 39 separate municipalities, which can vary greatly compared to both the state and to each other.
    - Construction & Utilities and Manufacturing provided most of these 17 comments, but others came from the Professional Services and Other sectors.
    - Another 9 comments focused more on particular challenges at the local level, particularly on the length of time needed for fire inspections as well as other permits.
    - Five responses specifically recommended increasing shared services, or centralizing certain functions.

BROAD ANALYSIS: Rhode Island/Government Support of Small Business: 88 comments (14.6 percent of 601)

Each of the following themes garnered between 12 and 19 comments. Respondents felt:

- A general lack of support from the state,
- An "anti-business" feeling and/or a reliance upon businesses for revenues to close budget gaps,
- That small businesses are hit harder by regulation-related costs (several suggested size-based accommodations; several focused particularly on businesses with fewer than 5 employees),
- That regulations impeded their company's growth, and
- That the state must do better in helping small businesses start up or keep going.

A smaller number expressed a general feeling that government makes it too expensive to be a small business. One sentiment prompting four specific comments, but underlying many in this category and others, is that success for small business leads to success for Rhode Island ("help us help you!").

BROAD ANALYSIS: Regulations/Employment: 84 comments (14.0 percent of 601)

The two largest categories were unemployment and licensing; all comments for both are here.

- Unemployment had 18 comments, or 21.4 percent of 84. Common topics:
    - Tax (unemployment/payroll), claims systems and service, and potential fraud.
    - Seasonal unemployment (both perspectives – seasonal employer with claims issues; others feeling seasonal layoffs benefit those companies at others' expense).
    - Better placement – two comments noted this issue, stating that despite Rhode Island's high unemployment rate, they have not been able to find the skilled workers they need.

- Licensing had 17 comments, or 20.2 percent of 84. All related comments are here, including "licensing fees" or others that could fall into other groups. Conversely, it is likely that others also concerned licensing, but were placed elsewhere (fees, business costs, similar generalities).

- The workers' compensation (WC) system received 9 comments. WC regulations appeared on last year's Specific Regulations list, but this year's comments and research indicate that the specific concerns mentioned (mostly costs and potential for fraud) do not link closely enough to specific state regulations. Costs are related to factors including state-determined rates (not included in regulation), occupational risk, and employee history. DLT's Fraud and Compliance Unit has no regulations. Therefore, the WC system is included in this broad analysis only.

- Three other topics had between 6 to 9 comments: temporary disability insurance or the new temporary caregiver insurance, health insurance costs, and biweekly pay (mostly regarding the additional requirements and certification).

- Topics receiving between 2 and 5 comments: minimum wage, the apprenticeship program, the prevailing wage, and concerns about employment issues related to immigration.

BROAD ANALYSIS: Regulations/All Others: 74 comments (12.3 percent of 601)

- Health and safety regulations, environmental regulations, and permitting each prompted between 14 and 19 comments.
- Permitting covers a wide range of activities in many entities (both state and local). While many were more general, about half of "permitting" remarks specifically cited issues with localities.
- Health and safety regulations included both regulations affecting primarily health care providers, and health and safety regulations in any businesses.
- The Fire Code received 9 mentions, with 2 noting the stringency for "an office" or "businesses that do not deal with crowds of people."
- Topics with four or fewer responses included truck inspections, contractor registration, child care regulations, utility costs, the building code, and business filings.

BROAD ANALYSIS: Rhode Island/General Concerns: 69 comments (11.5 percent of 601)

- Almost half of these comments (31) concerned Rhode Island's business climate, with most finding it poor. A number of these were in conjunction with remarks on the tax burden ("tax prohibitive," "not tax friendly," or "a burdensome, uncompetitive tax climate").
- "Uncompetitive" was a theme in most remaining comments:
  - 12 related this to competition for employers, talent, tourism, and similar.
  - 19 others made negative comparisons to other states: Massachusetts or Connecticut, but also New Hampshire, North Carolina, Texas, Florida, or "other states we operate in."
- Several general remarks connected higher taxes to systems such as unemployment or public assistance programs; a few mentioned potential abuse or fraud. Note that similar remarks specifically about impact of these issues on employers are in "Regulations/Employment."

BROAD ANALYSIS: Regulations/General Comments: 65 comments (10.8 percent of 601)

This group includes general comments on regulation, compliance, and enforcement.

- About a third said there is simply too much regulation. More of these (24.6 percent of the 65) focused on how the regulatory burden impacts their business. A smaller group (10.8 percent) reflected a philosophy that government should be smaller, and not so involved with business.
- Compliance and enforcement made up 40.0 percent of these 65 comments. The 14 compliance concerns did not typically challenge the need for compliance, but expressed frustration that it could not be made easier for businesses trying their best to keep up with changes.
- The 12 comments about enforcement included those who wanted less stringent enforcement or mentioned overzealous inspectors, as well as others seeking tighter or more consistent enforcement, to ensure a level playing field.
- Ten commenters expressed frustration that compliance or enforcement was not only challenging, but did not always seem to achieve the stated regulatory goals.

List of Specific Regulations Cited

Table 10 lists only regulations to which at least two commenters specifically referred.[2] "Individually Identified Regulations" make up the bulk of the list. Those prompting the most comments are listed first, along with their state identification number[3] and a brief description.

Following those are two "Clearly Defined Regulatory Groups." These two groups (Sales Tax and Purchasing) straddle the line between "Individual Identified Regulations" and more general topics, in that they are each large but defined (as opposed to just "permitting" or "health and safety"). *Sales & Use Tax* regulations are clearly identified and coded as a group within Taxation. *Purchasing/Procurement* regulations are in multiple entities, but are clearly identified as such.

Many on this year's list were also identified as problematic in the 2013 survey (noted in the far right column). As with the majority of all regulations, most on this list were not identified for amendment, repeal, or accommodation during the ORR Regulatory Review. ORR notes that many of these issues are topics of political debate, and as such, significant change will likely require legislative action.

Given especially that some regulations were reviewed as early as fall 2012, ORR will be conducting real-time follow-up to examine the current issues surrounding these regulations. All findings from both surveys, as well as the entire review process, will inform these targeted efforts to apply ORR's recommendations to individual entities, focusing on high-priority regulations such as those in Table 10.

[2] See "Analytical Overview," pp. 18-19, regarding why some general topics cannot be linked to specific regulations.
[3] ERLID, or Electronic Record Locator Identification number. All Rhode Island regulations can be accessed via the Secretary of State's "Final Rules & Regulations" database at www.sos.ri.gov/rules, by using this unique ERLID number or searching on keywords.

Table 10: Regulations Identified by Multiple Survey Respondents

Agency & Subunit (if any)	Online ID # (ERLID)	Title & Description	Included in 2013 List?
INDIVIDUALLY IDENTIFIED REGULATIONS			
Taxation, Division of	7300 6855	**Business Corporation Tax: Limited Liability Companies** **Business Corporation Tax: Limited Liability Partnerships/Limited Partnerships** Sets forth annual filing requirements on LLCs, LLPs, and LPs.	Yes (7300 only)
Labor and Training, Department of Board of Review	7527	**Unemployment Insurance (UI) and Temporary Disability Insurance Rules (TDI)** Clarifies RI Employment Security law and Temporary Disability Insurance law, and requirements placed on workers and employers to conform to the law which governs UI and TDI benefits.	Yes
Fire Safety Code Board of Appeal and Review	7138	**Rhode Island Fire Safety Code** 2013 Fire Code Safety Regulations. Consolidation of National NFPA codes and standards with Rhode Island amendments.	Yes
Labor and Training, Department of Labor Standards	7541	**Rules And Regulations Relating To Employer Exemptions From Weekly Pay Requirements** Interprets the amendments which allow employers to petition for permission to pay wages less frequently than weekly.	No (adopted Dec. 2013)
Taxation, Division of	5853	**Local Meals and Beverage Tax** Implements a local meals and beverage tax to be administered and collected in conjunction with the state sales and use tax. (ORR lists it separately, as it is not included under the Sales & Use Tax category within Taxation.)	No
Children, Youth and Families, Department of	7585; 7363	**Child Day Care Center; School Age Child Day Care Program** Sets forth licensing requirements for child day care center to safeguard the well-being of the children served.	Yes (7585 only)
Labor and Training, Department of Professional Regulation	6212	**Apprenticeship Programs in Trade and Industry** Sets forth labor standards to safeguard the welfare of apprentices, and to prescribe rules about acceptable apprenticeship programs.	Yes
Taxation, Division of	5859	**Computation of Estate Tax** Provides for estate/transfer tax liability and computation and estate and transfer tax enforcement and collection in regard to the calculation of the estate tax.	No
Administration, Department of Central Services	617	**Administrative Regulations and Construction Standards of the Contractors' Registration Board** Explains the process of registering contractors, grounds for discipline, assessment of fines, and Board and Commission activity and resolution process. Also establishes construction standards necessary to conform with industry standards.	Yes
Administration, Department of Minority Business Enterprise	716 6294	**Regulations Governing Participation by Minority Business Enterprises in State Funded and Directed Public Construction Projects, Construction Contracts, and Procurement Contracts for Goods and Services** **Rules Governing Certification and Decertification of MBE/WBE/DBE Enterprises by the State of RI** Sets forth state's policy of supporting the fullest participation of firms owned and controlled by minorities/women in state-funded and -directed projects and in state purchases of goods and services.	Yes Yes

Agency & Subunit (if any)	Online ID # (ERLID)	Title & Description	Included in 2013 List?
INDIVIDUALLY IDENTIFIED REGULATIONS (continued)			
Health, Department of	6992	**Food Code** Establishes minimum standards for food safety and sanitation in food businesses and food establishments.	Yes
Human Services, Department of	7730	**Child Care Assistance Program (CCAP) Section 0850 Starting Right Child Care Program** Establishes the regulations for certification of clients and providers within CCAP, which ensures access to affordable, developmentally appropriate, early childhood education and support services for young children and their families.	No
Labor and Training, Department of Professional Regulation	7248	**Division of Professional Regulation, Rules and Regulations Relating to Prevailing Wages** Clarification of the Prevailing Wage Law. Specifies work performed on construction projects that is subject to being paid at prevailing wage rate.	Yes
Motor Vehicles, Division of	5105	**Official Manual for Vehicle Inspection** Sets forth all requirements for state inspection stations and inspectors, including how inspections are performed.	No
CLEARLY DEFINED REGULATORY GROUPS			
SALES & USE TAX Most comments discussed "sales tax" without referring to a specific subject or exemption. There is no core sales tax regulation; Taxation's website lists over 120 that address which purchases and purchasers are exempt, as well as retailer responsibilities and general policies. The following specific sales tax regulations were cited in at least one comment. **Included in 2013 list only:** ERLID 4317, Interstate Sales			
Taxation, Division of	212	Beer, Wine, and Liquor Dealers	
	6971	Clothing, Clothing Accessories, Sports or Recreational Equipment, and Protective Equipment	
	6973	Pet Care Services (Except Veterinary/Testing Lab Services)	
	387	Reports, Payments and Penalties	
	231	Wholesalers and Distributors – Sales Made By	
PURCHASING/PROCUREMENT Comments discussed "purchasing" or "bidding on state contracts." Almost all purchasing regulations fall under DOA or quasi-public agencies, and other than two comments specifically referencing DOA, comments could not be linked to specific state regulations. In addition, comments may refer to the individual entities working with DOA to request bids or award contracts.			
Administration, Department of Division of Purchases	6648 et al.	**State of Rhode Island Procurement Regulations** Provides centralized regulations for state procurement, with fairness and competition as the primary objectives. ERLIDs: 6648, 6650-52, 6654-55, 6657-61, 6678-9, and 6684.	
Various quasi-public entities		These include: Airport Corporation (4912), Capital Center Commission (242-3), Clean Water Finance (609), Quonset Development/EDC (7435), Health and Educational Building Corporation (2239), Higher Education Assistance Authority (729), Narragansett Bay Commission (3241), RIPTA (1309), Student Loan Authority (1905), and Turnpike & Bridge Authority (1526).	

Representative Comments by Industry

This section reinforces ORR's goal of providing a voice for Rhode Island's small businesses.[4] Grouping comments by sector gives the clearest picture of how business owners feel about the state and its role in each industry's particular challenges. Sectors are listed in order by the number of survey respondents.

Representative Comments by Industry: Professional Services

Of the 80 respondents from the Professional Services sector, 38 (47.5 percent of 80) provided a response to one or both of the open-ended questions. The topic areas receiving the most comments from Professional Services are RI/Government Management, Regulations/Taxes & Fees, and Regulations/Employment. Comments include:

- "There should be one place…when you open a small business in RI that, once you describe your …business, gives you step by step directions on what is need and where you get it from. The same should be done with what taxes your business will be expected to pay – when and where."
- "The purchase of professional engineering and architectural services should be in compliance with federal rules for quality based selection. If the state wishes to purchase the cheapest engineering services, they will get what they pay for and the result will be low quality…."
- "City and towns have too much latitude to make up local regulations that supersede state regulations such as land use, septic, wetlands, and local environmental regulations…"
- "We follow all the rules, and request that they…be enforced to level the playing field…against firms that play more fast and loose. Our professional licensing entity seems to be having difficulty keeping up with the many added trades they now administer without added staff or funding. Kudos to the tax division – recent…calls have been answered knowledgeably and right away. Whatever happened to the Attorney General's Business Task Force?"
- "Often construction related 'codes and regulations' can be out of financial reach. I appreciate the need for safety, but…cost/benefit analysis should be applied to each 'improvement' as compared to the code 'one step down' from it…[especially] in border towns. Rhode Island is known in the business community to be 'more difficult' to work in, so if you can move a few miles into a different state, you will."
- "The State's procurement process needs improvement…there is no oversight, no support for RI companies, and no third party technical review to determine the true capabilities of contract recipients when it comes to State of RI government contract awards."
- "Fire regulations for businesses that do not deal with crowds…are very expensive and time consuming."
- "The lack of cooperation, synergies, communication and the sharing of services…we are the smallest state in the Union and we have how many independent cities and towns with their own infrastructure? Centralization and simplification needs to be created that will in my opinion increase the efficiency, costs and attractiveness to business in our State."
- "Work to make it more competitive - help us win business with the State and with the State's largest businesses. Give preferential contracting to RI small businesses."
- "The state government seems aware of the issue and is trying to make improvements. The LEAN initiatives at the DEM is a good example. The cities and towns are out of control."
- "Remove $500 annual corporate fee, or prorate it based on sales (it kills the 'small' businesses)."

[4] By definition, surveys collect perceptions, some of which may not (or may no longer) be accurate. Even inaccuracies shed light on current beliefs, and identify opportunities for correcting public perception. Considering all feedback in this light has been invaluable in informing ORR's Regulatory Review recommendations and reports.

Representative Comments by Industry: Manufacturing

Of the 63 respondents from the Manufacturing sector, 27 (42.9 percent of 63) provided a response to one or both of the open-ended questions. The topic areas receiving the most comments from Manufacturing are Regulations/Taxes & Fees and RI/Government Support of Small Business. Comments include:

- "All of the statutes and regulations apply a broad brush across ALL businesses and don't consider size or they type of business they do. Many…do nothing to solve the real problems they were designed to in the first place."
- "There are too many fees, taxes and regulations which put small companies in an unfair position to compete with larger companies. The cost of living in RI is too high making it difficult to attract talent."
- "The entire [DLT] organization as it pertains to regulations of trades. The apprenticeship program, the ratios, and the management of the trades is discriminatory towards non-union small businesses. There is no reciprocity of trade licenses with other states, so when our employees run out of work in RI, we have to lay them off."
- "VJ day holiday should be a floating holiday. Regulation for 2-week pay is ridiculous."
- "I think it is very difficult for someone starting out to meet town requirements such as zoning and permitting. There should be a place to go to get assistance on starting up."
- "We need a governor and legislature that understands small business...We have been struggling to find support to help train unskilled RI workers. Small businesses can't carry this state on its back anymore! We are hiring employees that pay state taxes. Help us help you! It works both ways! We may be moving our company out of state as other states are eager to help us achieve success, and are willing to work alongside of us as a partner."
- "Too many regulations that ask for the same information."
- "There is no common sense approach to any of it at all. The regulatory climate does nothing to curb anything that it was designed to do and all it does is inconvenience the public and business for the most part."

Representative Comments by Industry: Other

Of the 55 respondents from the Other sector, 27 (49.1 percent of 55) provided a response to one or both of the open-ended questions. The topic areas receiving the most comments from Construction & Utilities are Regulations/Taxes & Fees, RI/Government Management, and RI/Government Support of Small Business. Comments include:

- "The rules and regulations that our particular industry must adhere to do not necessarily need to be changed. However, keeping up with the changes and maintaining compliance is challenging, time consuming and costly."
- "Where to begin...I represent the chamber of commerce hear many business owners having challenges. It would take pages to describe all the concerns and challenges."
- "When I have to follow the process I am told that is not the Rhode Island way. I want to do things the legal way and when I do I make some people mad."
- "The fire code laws are the ones that give me the toughest challenge at times in my business."
- "There are no checks and balances with labor unions being able to use their influence to get what they want as a vocal minority at the expense of the rest of the state's population. Until this dynamic changes, RI will continue to wallow in economic mediocrity."
- "Taxes and more centralized town services such as fire, PD and education districts. RI has too many small districts and wastes money on the management of them."
- "Costs to operate a small business are too high; i.e. business licenses, corporation licenses, truck registrations, taxes (vehicle and property) and taxes for each town that business is conducted in."
- "The state disability program causes problems with employees spending extended time from work when they may not need to."
- "Improve the customer service of state and city workers. There should be competence in knowledge of regulations and cooperation toward businesses and a feeling that they are there to help. Lower taxes."

Representative Comments by Industry: Construction & Utilities

Of the 48 respondents from the Construction & Utilities sector, 24 (50.0 percent of 48) provided a response to one or both of the open-ended questions. The topic areas receiving the most comments from Construction & Utilities are RI/Government Management, Regulations/Taxes & Fees, Regulations/All Others, and RI/Government Support of Small Business. Comments include:

- "The corporate tax. Different wetland rules for state & towns. Too many hoops…for building permits."
- "Get rid of state certified payroll forms and allow the federal form to be used. We are manually putting in the information and this takes time each week."
- "Cost of…government is too high. Need to cut back on pensions and benefits for short term employees."
- "…What can [the construction trade industries] look forward to? Moving our headquarters to a state that has lower cost of labor and then bidding on work for this state. It seems that RI has hired out of state contractors to do the work that was paid for by our tax dollars. Lately I feel like RI needs to be adopted by Massachusetts or Connecticut…"
- "I think the new director of DEM understands the problems and is working to have DEM better work with business instead of against [it]."
- "Davis-Bacon prevailing wages and apprentice to journeymen regulations are too demanding and only benefit union contractors…This is why our highway construction is so expensive. It makes it cost prohibitive to build new schools and public places as well."
- "…I have been doing business in NC and the entire process is considerably simpler. The process in RI no longer makes sense. In RI, there is a general feeling among government workers that the private sector works for the benefit of the public sector, instead of the other way around. No one wants to help, and instead throws up hurdle after hurdle in front of you."
- "Stop taxing us to death."
- "Trailer inspections and truck inspections every year take [about 2 days total of unbillable time] for a small construction company…Give me one good reason that inspection couldn't be good for 2 or 3 years? Then we have contractor registration…, Lead Hazard Control Firm licensing, Lead Certified Remodeler…Each regulation doesn't seem like much on its own, but when lumped in together with everything else we need to become knowledgeable about, and then comply with...it becomes overly burdensome."

Representative Comments by Industry: Hospitality

Of the 42 respondents from the Hospitality sector, 24 (57.1 percent of 42) provided a response to one or both of the open-ended questions. The topic areas receiving the most comments from Hospitality are Regulations/Taxes & Fees, Regulations/Employment, and RI/General Concerns. Comments include:

- "Food tax, state taxes, overall sales tax, local taxes, distributor tax...this has had a tremendously adverse affect on the hospitality business. We, along with all Rhode Islanders, are being taxed to death and overregulated…It's so bad I am leaving on Feb. 10th to look at property and businesses in another state to move my family to. I own three restaurants and will most likely close them."
- "My business has been registered with the state since 1997. Besides closely watching that all Sales Taxes are paid, I feel that the state has largely ignored my existence as a thriving small business."
- "Do not increase minimum wage. If implemented, lay-offs will result."
- "State needs to reform calculations on how individual businesses are being charged for unemployment tax. Profitable seasonal companies are getting a tax credit with the current system and well-run year-round businesses are getting penalized."
- "…High sales taxes drives customers out of state. High personal RI tax rate driving consumers to Florida and elsewhere, which decreases the sales base for businesses."
- "The hospitality industry is continually targeted from regulatory agencies to offset costs associated with Rhode Island state and city budget challenges. One example is the new proposal to now charge for health inspections."
- "Sales & excise tax burden on restaurant and hotel industry is horrendous and makes us uncompetitive and unattractive to draw much needed tourism and convention business."
- "Focus on helping small businesses thrive (this survey is a great start). Many businesses are struggling and don't have time to…run from one department to the other only to find they close at 3:30. Continue the movement to online resources…Many business owners work around the clock and online use allows for ease of use and a more timely process."
- "We won't invest in RI. Doing business with some cities and towns is impossible. I have 3 locations and plan to expand in Massachusetts in the future. At least they want us."

Representative Comments by Industry: Trade

Of the 38 respondents from the Trade sector, 16 (42.1 percent of 38) provided a response to one or both of the open-ended questions. The three topic areas receiving the most comments from Trade are Regulations/Taxes & Fees, RI/Government Management, and Regulations/Employment. Comments include:

- "Reduce corporate tax for small business. Reduce state taxes. Reduce property taxes. Cap electric/energy rate increase. Eliminate TDI."
- "Your state workers take way too long to do anything. We wait for 6 weeks to simply get a letter of good standing, because of all the departments it must go through. If this was a private company you would walk in, pay your $50, they would look you up in the computer to confirm taxes are current, and give you the paper."
- "The corporate 'franchise' tax needs to be changed. $500 per year for a small business is egregious. And what does it fund?!"
- "Allowing more time off such as TDI and the new TCI hurts a small business. Health care costs are a killer....definitely not hiring or growing as a direct result of ObamaCare."
- "Yes get rid of the union workers and hold them accountable for the work performance. They move way too slow, take way too many breaks. They all have the attitude like we should be grateful they are doing this work....they seem to forget they work for us!"
- "Competitive bidding for state and local contracts is onerous for the bidders and does not guarantee the government either the lowest cost or the highest quality. Bids should be public and online, in an anonymous reverse auction. Also, the Sakonnet River Bridge toll is expensive for our business and, considering there are no corresponding tolls on other bridges or highways, fundamentally unfair to businesses on Aquidneck Island."
- "Duplicative filing for sales taxes should be eliminated (if we already filing quarterly, why do we have to also send an annual report?). It's a waste of everyone's time, especially since we are wholesalers with zero sales tax to report."

Representative Comments by Industry: Health Care & Social Assistance

Of the 36 respondents from Health Care & Social Assistance, 19 (52.8 percent of 36) provided a response to one or both of the open-ended questions. The topic areas receiving the most comments from Health Care & Social Assistance are Regulations/All Others (which includes any comments on "health and safety regulations"), Regulations/General Comments, and RI/Government Support of Small Business. Comments include:

- "Burdensome licensing requirements and requirements for reimbursement for State-paid service beneficiaries. The integrated care initiative places even greater administrative burdens on already under-reimbursed service providers. Reimbursement is FAR below actual cost of providing services."
- "Health care regulations are onerous and dated. The State could use my Federal quality measures (…[which are] more rigorous than the State['s]…) and save themselves time and money on survey."
- "Unemployment system suppresses growth. Bi-weekly pay regulations still burdensome…."
- "Protective intent is admirable! I agree with drive to improve quality."
- "Government needs to step off and let the little people do what they need to do. Small businesses [can] grow into large businesses and therefore keep the economy rolling."
- "Child care is very regulated and sometimes these regulations go against fire codes and other regulatory agencies and the process can be quite difficult to maneuver. It is challenging to decide or 'guess' which…your business should comply with."
- "The private provider system (for persons with developmental disabilities] is reimbursed on a quarterly basis which makes income planning very difficult. The BHDDH regulations require an annual budget but only reimburses on a quarterly basis. This system is the only provider of state paid services to receive this method of payment."

Representative Comments by Industry: Finance & Insurance

Of the 14 respondents from the Finance & Insurance sector, 4 (28.6 percent of 14) provided a response to one or both of the open-ended questions. As noted earlier, this is the smallest stand-alone sector. Comments include:

- "Permitting at the town level takes way too long. Inspections by fire marshals take way too long to be scheduled."
- "Tangible tax on business property that was taxed when purchased and taxed each year thereafter."
- "Property taxes – car taxes, too heavy [a] burden."
- "This survey is too narrow - taxes are the major issue."
- "The #1 problem with the growth of business in RI is the lack of leadership from the state house, EDC and the general assembly."
- "Not commonsense and too much legalese."

METHOD

Design

As in 2013, the Small Business Survey was designed through a collaborative effort between Governor Chafee's office and the staff of the Rhode Island Office of Management and Budget's Office of Regulatory Reform. Every effort was made to optimize the balance between designing an effective, objective survey, including lessons learned through reviewing the 2013 results, and matching the 2013 survey structure whenever possible to enable consistent comparisons. The survey included 12 questions, allowing for both closed and open-ended responses, which were estimated to take 10 minutes of a participant's time. Questions were administered via the Internet through a well-established, cloud-based web survey company. Please see Appendix B for the 2014 survey; the 2013 survey is included in the 2013 Small Business Survey Report[ii].

Some 2014 example survey questions include:

- Considering Rhode Island regulations that directly affect your small business, would you say there is the right amount of regulation, too little, or too much regulation? (closed-ended)
- Have state regulations ever been a critical factor in your decision to grow and invest in your small business? (closed-ended)
- Do you have any additional comments regarding Rhode Island's small business regulatory climate? (open-ended)

The 2014 survey was redesigned to address two primary issues. The first is detailed in the "Analysis of Comments/Analytical Overview" section. In brief, one point at which many 2013 respondents dropped out was when asked to give the specific state identification number of problematic regulations. ORR removed this requirement, which increased the completion rate, but introduced some ambiguities as to the subject of various comments. To incorporate both specific and more general comments, ORR added the "Broad Analysis of Topic Categories" analysis to the previous "List of Specific Regulations Cited."

The other issue was that a number of questions defining each respondent's business were not found to be as useful in ORR's primary goal of analyzing regulatory impact and opinions. Combined with the desire to limit the survey to 10 or fewer content questions, a number of these were eliminated, and several additional opinion questions were added which provided valuable perspectives on new topics.

Together, these changes helped both increase the completion rate from 58.3 percent to 74.6 percent, and improve the quality and quantity of overall data.

Participants

As discussed at the outset, 376 small business leaders responded to the 2014 survey. Potential participants were identified through small business contacts held by the Rhode Island Department of Labor and Training, the Rhode Island Secretary of State's Office, the Rhode Island Commerce Corporation, and by business owners that left their contact information after participating in one of Governor Chafee's community forums. A master list of 5,425 business email addresses was gathered from the above sources.

In an effort to further expand participation, the Office of Regulatory Reform contacted 24 local business associations, asking them to share the survey with their affiliated businesses. Organizations that have provided much-appreciated support with ORR's ongoing surveying include:

- Central Rhode Island Chamber of Commerce
- East Providence Chamber of Commerce
- Greater Providence Chamber of Commerce
- Greater Westerly-Pawcatuck Chamber of Commerce
- Newport County Chamber of Commerce
- Northern Rhode Island Chamber of Commerce
- Rhode Island Builders Association
- Rhode Island Manufacturers Association
- Smaller Business Association of New England
- Rhode Island Nursery and Landscaping Association

All participants received an email invitation from Governor Chafee (see Appendix A), which outlined the survey's intent and provided a link to the online survey. The survey was made available for just over a two-week period from January 31st, 2014 to February 15th, 2014.

APPENDIX A: 2014 Small Business Survey: Letter from Governor Chafee

State of Rhode Island and Providence Plantations
State House, Room 224
Providence, Rhode Island 02903
401-222-2080

Lincoln D. Chafee
Governor

January 31, 2014

Dear Small Business Leader:

As you may know, the legislature passed and I signed into law a measure aimed at making Rhode Island more business friendly (2012 Public Law 445). This law requires that each regulatory agency evaluate the small business impact of all of their regulations and offer recommendations to revise, repeal or maintain those regulations based on that review. Understanding the importance of this effort, I accelerated the review process from four years to just over a year.

The Office of Regulatory Reform (ORR) is coordinating this effort by providing assistance to agencies and reporting out on their efforts. Staying connected to the small business community is critical to ORR's work. No one knows better the impact of regulations on small business than small business owners' themselves.

Last year, I asked small business leaders for their input on regulatory impacts. Seven hundred and nine **(709)** members of your community took the time to provide thoughtful and insightful commentary. Their contributions have both strengthened and informed this review process. You can find a report on last year's survey from the internet link provided below.

Our efforts here are ongoing. To that end, we ask again for help. One year later, ORR has developed a follow-up survey to gauge again your thoughts on Rhode Island regulations. I ask that you complete this short survey within the next two weeks to further strengthen the work of the team at ORR.

Please go to https://www.surveymonkey.com/s/Y6W3VFT to complete your survey by **Saturday, February 15, 2014.** We are continually working to create a clear, predictable, and reliable regulatory system, and you and the staff at your business are key partners in that effort. Your participation is greatly valued and appreciated.

Thank you for your support of this important initiative.

Sincerely,

Lincoln D. Chafee
Governor

Thank you!

Link to the 2013 Survey: http://www.omb.ri.gov/documents/reform/regulatory-review/SmallBusinessSurvey.pdf

APPENDIX B: 2014 Small Business Survey

2014 Small Business Survey

Governor Lincoln Chafee is seeking input from businesses regarding Rhode Island's regulatory environment. Please answer the following questions. Your responses and comments will be taken very seriously, and will be reviewed in the context of our Regulatory Reform initiative currently underway.

Any comments directly impacting state agencies will only be shared anonymously and in the aggregate. If you have any questions, please send an email to Derrick Pelletier at Derrick.Pelletier@omb.ri.gov. Thank you in advance for your participation.

* 1. What primary industry is your small business in?

- Agriculture, Forestry, Fishing and Hunting
- Mining, Quarrying, and Oil and Gas Extraction
- Utilities
- Construction
- Manufacturing
- Wholesale Trade
- Retail Trade
- Transportation and Warehousing
- Information
- Finance and Insurance
- Real Estate and Rental and Leasing
- Professional, Scientific, and Technical Services
- Management of Companies and Enterprises
- Administrative and Support and Waste Management and Remediation Services
- Educational Services
- Health Care and Social Assistance
- Arts, Entertainment, and Recreation
- Accommodation and Food Services
- Other Services

Other (please specify)

2014 Small Business Survey

***2. Considering Rhode Island state regulations that affect your small business, would you say there is the right amount of regulation, too little, or too much regulation?**

- Right amount of regulation
- Too little regulation
- Too much regulation
- Unsure

***3. In comparison to other states, how would you rate Rhode Island's regulatory environment as it pertains to your small business?**

- Excellent
- Good
- Average
- Fair
- Poor
- Don't Know

***4. Which of the following would you say are the most important challenges facing your small business today? Please rank, with #1 as the most important challenge.**

	Availability of credit
	Decreased consumer demand
	Federal regulations
	Health insurance costs
	Increased competition/globalization
	Labor costs
	Local ordinances (city/town)
	Personnel management
	State regulations
	Technology changes
	Utility costs

2014 Small Business Survey

***5. How much impact does each of the following areas of regulation have on your small business?**

	Major Impact	Moderate Impact	Little Impact	No Impact
State sales taxes				
State business taxes				
Federal business taxes				
Health and safety regulations				
Environmental regulations				
Employment regulations				

***6. Does your small business hire outside consultants to comply with Rhode Island state regulatory requirements?**

- Yes
- No

***7. Have Rhode Island regulations ever been a critical factor in your decision to grow and invest in your small business?**

- Yes
- No

***8. Would you say that the benefits of regulation outweigh the costs to comply?**

- Yes
- No
- Don't know

***9. How familiar are you with Rhode Island state regulations that affect your small business?**

- Extremely
- Very
- Moderately
- Not at all

2014 Small Business Survey

***10. Are there any Rhode Island rules or statutes you believe need to be changed?**

- Yes
- No

Please describe.

11. Do you have any additional comments regarding Rhode Island's small business regulatory climate?

12. May we contact you directly if there are any questions regarding your responses or for future surveys?

- Yes, you may contact me
- No, I do not wish to be contacted

If yes, please provide your contact information:

Thank you again for your valuable input. We look forward to sharing the results of this survey shortly. Additionally, if you have concerns related to state regulatory activities, including audits, on-site inspections, compliance assistance or other enforcement related activities, you should know that the Office of Regulatory Reform's (ORR) Small Business Ombudsman can help. For more information please contact (401) 574-8426 or Nancy.Scarduzio@omb.ri.gov.

APPENDIX C: North American Industry Classification System (NAICS) Sectors

NAICS codes are used throughout the ORR review process, as they are the industry standard for classifying "revenue-producing business activity." Below are the eight sector groupings that ORR used for the 2014 Small Business Survey, in order by survey respondent size. The NAICS sectors included in each ORR sector grouping are in italics. Detail is provided for those that may not be self-explanatory, or that include several disparate subgroups. See www.census.gov/eos/www/naics for more information.

SBS SECTOR/PROFESSIONAL SERVICES

- *Professional, Scientific, & Technical Services*: includes legal, accounting, architectural, engineering, design, computer systems, management consulting, research and development, advertising and public relations, photography, veterinary, and similar professional services
- *Information*: includes publishing, film/video/broadcast production and distribution, telecommunications, data processing, libraries, and internet publishing/search portals
- *Management of Companies & Enterprises*: includes management, holding companies, and corporate, subsidiary, and regional managing offices

SBS SECTOR/MANUFACTURING: contains only NAICS sector *Manufacturing*

SBS SECTOR/CONSTRUCTION & UTILITIES: contains only NAICS sector *Construction* and *Utilities*

SBS SECTOR/HOSPITALITY

- *Accommodation & Food Services*
- *Arts, Entertainment, & Recreation*: includes performing arts, spectator sports, museums, amusement parks, gambling, golf courses, and similar recreational facilities

SBS SECTOR/TRADE: contains only NAICS sectors *Wholesale Trade* and *Retail Trade*

SBS SECTOR/HEALTH CARE & SOCIAL ASSISTANCE: contains only NAICS sector *Hlth Care & Soc. Assist.*

SBS SECTOR/FINANCE & INSURANCE: contains only NAICS sector *Finance & Insurance*

SBS SECTOR/OTHER

- *Other Services (except Public Administration)*: includes automotive and equipment repair and maintenance, hair and barber salons, funeral homes, laundry, non-veterinary pet care, photofinishing, parking garages, and religious, civic, advocacy, and professional associations
- *Administrative & Support & Waste Management & Remediation Services*: includes office administration, employment agencies, business support, collection agencies, credit bureaus, travel agencies, investigation and security services, exterminators, landscaping, waste collection, waste treatment and disposal, remediation, and other waste management services
- *Agriculture, Forestry, Fishing & Hunting*
- *Educational Services:* includes all K-12 and post-secondary schools and colleges, technical and trade schools, driving schools, and exam preparation and tutoring
- *Real Estate & Rental & Leasing:* includes all rental types e.g. cars, consumer goods, machinery
- *Transportation & Warehousing*

ENDNOTES

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[i] ORR Regulatory Look Back Report Period One:
http://www.governor.ri.gov/documents/regulatory/ORR%20Period%20One%20Regulatory%20Look%20Back%20Report%20UPDATED.pdf

ORR Regulatory Look Back Report Period Two:
http://www.governor.ri.gov/documents/regulatory/2013-10-31_Office%20of%20Regulatory%20Reform%20-%20Period%20Two%20Regulatory%20Look%20Back%20Report.pdf

ORR Regulatory Look Back Report Period Three:
http://www.omb.ri.gov/documents/reform/regulatory-review/Period%20Three_2014.pdf

[ii] 2013 Small Business Survey Report:
http://www.governor.ri.gov/documents/regulatory/Small%20Business%20Survey%20Report%20-%20FINAL.pdf